

Property tax deduction for non-itemizers in the 2008 Housing Act

Dear Client,

Included in the \$15.1 billion package of housing tax incentives in the recently enacted "Housing Assistance Tax Act of 2008" (the Housing Act) is a measure creating a new, temporary property tax deduction for non-itemizers (i.e., for taxpayers who claim the standard deduction rather than itemizing their deductions). Here is a brief overview of this new provision:

- The provision creates a new standard deduction for state and local real property taxes paid by non-itemizers. Since most homeowners who are paying on a mortgage have enough deductions (e.g., mortgage interest and property taxes) to justify itemizing them on their return, this new provision chiefly benefits homeowners who have paid off their homes.
- The deduction is available only for one year--for tax years beginning in 2008.
- The amount of deduction is as much as \$500 for single filers and \$1,000 for joint filers. Since this is a deduction and not a credit (i.e., a dollar-for-dollar reduction in tax liability), the actual tax benefit will not be substantial, for example, a maximum of \$100 to a couple in the 10 percent tax bracket and \$150 to a couple in the 15 percent bracket (and only \$50 and \$75, respectively, to singles in these brackets).
- The deduction isn't limited to taxes paid on a principal residence. Thus, for example, it may be claimed for state and local taxes paid on a vacation home as well as a principal residence.

I hope this information is helpful. If you would like more details about this provision or any other aspect of the new law, please do not hesitate to call.